

## **City of Seattle Voluntary Deferred Compensation Plan Regular Trust Committee Meeting Minutes**

Wednesday, March 28, 2018 10:00 am – 12:00 pm  
Seattle Municipal Tower, Room 4080

**TRUSTEES present:** Teri Allen, Bill Alves, Jeff Davis, Scott Fuquay, Glen Lee, and Sue McNab

**STAFF present:** Renee Freiboth, Michelle Ell, Tony Dozier, Malia Bonham from SDHR; Jeff Slayton CAO

**CONSULTANTS present:** Jake O'Shaughnessy, SageView Advisory Group; Michael Monaco & Gavin Parr, Mondress Monaco Parr Lockwood

**GUESTS present:** Kent Morris, Kristopher Morton, Susan Wilson, Olivia Anastasi, and Andee Gravitt from Nationwide; Dennis Karl, IAFF Local 27; George Emerson, FAS.

### **BUSINESS**

**Opening:** Teri Allen, the Committee Chair, started the meeting at 10:13 am.

**Introductions:** All attendees introduced themselves. Sue McNab introduced herself as the Acting Director of the Seattle Department of Human Resources (SDHR). She will fill the Committee position previously occupied by Susan Coskey until SDHR has a permanent Director.

**Public Comment:** There was no public comment.

**Minutes of January 24, 2018 Regular Meeting:** Teri asked for a review of the meeting minutes. There were no corrections and the meeting minutes were deemed accepted.

**Administrative Update:** Malia Bonham was introduced as the Personnel Analyst for the Deferred Comp Unit. Michelle stated that the unit was now fully staffed. Next, she reminded the Committee that the annual NAGDA Conference will be held in Philadelphia from September 23-26, 2018. Any Committee members interested in attending should contact Plan Staff.

Michelle presented the preliminary agenda for the 2018 Committee meetings. She also stated that she and Renee Freiboth had met with Councilmember Sally Bagshaw to answer all questions that were originally delivered to the Seattle City Employee's Retirement System Board.

Michelle provided an update on the Data Privacy project, stating that is likely to be a collaboration between Mercer and Moss Adams.

**Nationwide:** Andee Gravitt noted that the plan balance and participant counts had grown from last quarter, and it had a high level of participant interactions. Bill commented that the distributions exceeded contributions. In response, Andee mentioned that this quarter saw a much

larger inflow of rollovers and an increase in Roth participation. In addition, distributions were seasonally higher due to required minimum distributions paid in Q4 2017.

Kris Morton hopes the Plan will continue to increase participation with the new EZ Enroll form that is being rolled out. He said that Target Date Fund usage has increased and that 86% of the plan assets are held by participants over the age of 46.

**SageView Advisory:** Jake O'Shaughnessy shared that 2017 marked record high closing levels for many U.S. equity markets. He also noted that with recent tax cuts and many business-friendly regulatory reforms, we should expect to see continued volatility in the equity markets and many signs point to a possible increase in the pace of inflation. A recent survey of economists indicated that their expectation is that the Federal Reserve will raise U.S. interest rates 7 times during the next couple of years, likely increasing volatility as the Federal Reserve moves away from a stimulative policy. Jake also mentioned there are now more 'index funds' than stocks listed on exchanges in the U.S. He said that one-third of plan assets were now invested in Target Date Funds.

Jake mentioned that the Vanguard Institutional Index Fund and the Vanguard International Stock Index Fund can both be moved to share classes that are 2-basis points lower in cost. Also, the American Funds Growth Fund of America (R5 Share Class) and the American Funds Europacific Growth Fund (R5 Share Class) can both be moved to a less expensive 'R6' share classes with zero revenue share.

**Vanguard Share Classes:**

- The Vanguard Institutional Index Fund has surpassed \$100 million in the fund as of 12/31/2017. It is eligible to move from the Institutional Shares (ticker: VINIX, expense: 0.04%) to the Institutional Plus Shares (ticker: VIIX, expense: 0.02%).
- The Vanguard Total International Stock Index Fund has surpassed \$5 million in the fund as of 12/31/2017. It is eligible to move from the Admiral Shares (ticker: VTIA, expense: 0.11%) to the Institutional Shares (ticker: VTSNX, expense: 0.09%).

**American Funds Share Classes:**

- The American Funds Growth Fund of America Fund R5 Shares (ticker: RGAFX, expense: 0.38%) has a cheaper share class with zero revenue share available in the R6 Shares (ticker: RGAGX, expense: 0.33%).
- The American Funds Europacific Growth Fund R5 Shares (ticker: RERFX, expense: 0.54%) has a cheaper share class with zero revenue share available in the R6 Shares (ticker: RERGX, expense: 0.50%).

Jake recommends that the Committee move to the cheaper share classes for the four (4) funds indicated above. He also recommended that the Calvert fund remain on watch at this time.

**MOTION:** Bill Alves proposed the plan add and map the Vanguard Institutional Index Fund, Vanguard Total International Stock Fund, American Funds Growth Fund of America Fund R5 and American Funds Europacific Growth Fund R5 to the appropriate lower cost versions cited by SageView as soon as administratively possible. Sue McNabb seconded. The Motion was passed unanimously.

**Other Business:** Jake provided a plan expense update. Given the 14-basis point methodology, the plan seems to be on track to have an expense account balance that will have a cushion of one-year worth of expenses after 2019, based upon the expense projections provided by City Staff. Jake also noted that an annual review of this information by the Committee would be prudent. Scott Fuquay asked how much of a cushion should be in the account. Jake stated that the current goal of not exceeding one-year of projected expenses in the accrual account seems reasonable. Michelle stated that the Committee previously decided to have one years' worth in reserve to account for future market volatility.

Michelle Ell discussed how the Committee has made it a goal to increase participant education. Given that the category is broad, Plan Staff has asked Nationwide to provide on-going data points to the Committee. She mentioned that Nationwide will track the use of the EZ Enroll form and provide distribution details. Using this information, the Committee and Plan Staff will be able to create plan outreach goals later this year. Bill asked if younger employees could be targeted. Andee stated that San Diego County has already started a successful millennial engagement program and she could work with Plan Staff on possible implementation.

**Adjournment:** Teri Allen moved to adjourn the meeting at 11:34. The meeting was adjourned without objection.

**Next Meeting:** The next regular meeting is scheduled for Wednesday, May 23, 2018 at 10:00am in the Seattle Municipal Tower, Conference Room 4080.